

**SOLICITATION OF APPLICATIONS FOR PREQUALIFICATION OF POTENTIAL
ROYALTY GAS PURCHASERS
ROYALTY IN KIND PILOT PROGRAM
TEXAS 8(G) PILOT PROJECT**

U.S. Department of the Interior
Minerals Management Service
Procurement and Property Management Division
Procurement Operations Branch
381 Elden Street, MS 2500
Herndon, Virginia 22070-4817

The Paperwork Reduction Act of 1995 requires us to inform you that the Minerals Management Service (MMS) collects this information to document fulfillment of royalty obligations and sales of minerals from leases on Federal lands. We will use this information to evaluate bids for sale of royalty production. Proprietary information is protected in accordance with standards established by the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1733), the Freedom of Information Act (5 U.S., 552 (b)(4), and the Departmental Regulations (43 CFR 2). Responses are required to obtain a benefit. Comments on the accuracy of this burden or suggestions on reducing this burden should be directed to the Information Collection Clearance Officer, MS 4230, MMS, 1849 C Street, N.W., Washington DC 20240 and to the Office of Management and Budget, Office of Information and Regulatory Affairs, Attention: Desk Officer for the U. S. Department of the Interior (1010-0129), 725 17th St. N.W., Washington, D.C. 20503.

COVER PAGE

The Minerals Management Service (MMS) is soliciting applications from qualified energy companies and organizations to be placed on a list of potential purchasers of the royalty portion of natural gas produced from nearshore leases off the coast of Texas.

This solicitation consists of this Cover Page and the attached Requestor's Signature Page.

The royalty gas will be sold by MMS as part of its royalty in kind (RIK) pilot programs designed to test the feasibility of the RIK concept. The Texas RIK pilot project is a joint initiative of MMS and the State of Texas General Land Office (GLO) in which natural gas from Outer Continental Shelf properties known as 8(g) leases will be sold to Federal end user customers and also to the public through competitive bidding.

This solicitation is the first step in the process to sell royalty gas in the MMS/GLO RIK pilot to the public by competitive bidding. Energy companies or organizations that respond to this request and are deemed qualified by MMS to purchase royalty gas will be notified and asked to competitively bid for the purchase of specific volumes of royalty gas when they become available. Future notification of sales of individual gas packages will occur during the bid week immediately preceding the month of initial sales. The contract period may be 1 month, 6 months, 1 year, or 2 years, as specified in each notification of sale. Potential purchasers will submit bids by methods and to points of contact specified in each notification of sale. Delivery points will typically be major pipeline interconnects, hubs, or gas plants onshore in Texas.

Qualified potential purchasers that successfully bid for purchase of royalty gas in future sales will be required to post a letter of credit or other collateral equal to the estimated value of royalty gas to be purchased over a 3 month period.

The application process to become prequalified for potential purchase of royalty gas in this RIK pilot program will be ongoing, i.e., there is no deadline for application. The MMS will keep the list of prequalified potential purchasers of royalty gas active through the end of the year 2000, at which time a new prequalification process will be conducted to update the list.

Potential purchasers of Federal gas in this RIK pilot program must certify that the company's total revenues from buying and selling natural gas have not been less than \$15,000,000 (U.S. dollars) during any calendar year from 1994 through 1998. MMS requests that interested energy companies or organizations complete and send the attached Requestor's Signature Page with the most current company Financial Statement to:

U.S. Department of the Interior, Minerals Management Service
Procurement and Property Management Division
Procurement Operations Branch, Attn: Ms. Betty Estey
381 Elden Street, MS 2500
Herndon, Virginia 22070-4817

The first public sale of royalty gas in this RIK project is anticipated to occur in late May for initial delivery on June 1, 1999. Interested potential purchasers should submit their Requestor's Signature Page and Financial Statement to the above address no later than May 7, 1999.

REQUESTORS SIGNATURE PAGE

REQUESTOR'S BUSINESS NAME: _____

ADDRESS: _____

CORPORATE OR PARTNERSHIP OFFICER: _____

TYPED NAME AND TITLE: _____

DATE: _____

POINT OF CONTACT NAME AND TITLE: _____

POINT OF CONTACT PHONE AND FAX: _____

CORPORATE SEAL: _____

Requests by corporations must be executed over the corporate seal.

We certify that we will obtain a Letter of Credit or pledge collateral in accordance with the provisions described in the Cover Page of this solicitation if any bid we make for royalty gas pursuant to the natural gas sales program described herein is accepted.

We certify that we are a qualified bidder as described in the Cover Page of this solicitation and that the information, representations and certifications included in the attached Financial Statement are accurate.